

City of Grosse Pointe, Michigan

**Financial Report
with Supplemental Information
June 30, 2008**

City of Grosse Pointe, Michigan

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City of Grosse Pointe, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Grosse Pointe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe, Michigan (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grosse Pointe, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and
Members of the City Council
City of Grosse Pointe, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grosse Pointe, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 4, 2008

City of Grosse Pointe, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Grosse Pointe's financial performance provides an overview of the City of Grosse Pointe's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlight for the year ended June 30, 2008:

- The City made a long-term investment in its main business district by issuing \$3,600,000 of capital improvement bonds to finance a new parking structure.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City of Grosse Pointe as a whole and present a longer-term view of the City of Grosse Pointe's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City of Grosse Pointe's operations in more detail than the government-wide financial statements by providing information about the City of Grosse Pointe's most significant funds. The fiduciary fund statements provide financial information about activities for which the City of Grosse Pointe acts solely as a trustee or agent for the benefit of those outside of the government.

City of Grosse Pointe, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	\$ 5,221.6	\$ 4,668.2	\$ 5,207.7	\$ 5,155.0	\$ 10,429.3	\$ 9,823.2
Noncurrent assets	<u>14,246.4</u>	<u>14,892.8</u>	<u>8,859.6</u>	<u>7,922.7</u>	<u>23,106.0</u>	<u>22,815.5</u>
Total assets	19,468.0	19,561.0	14,067.3	13,077.7	33,535.3	32,638.7
Liabilities						
Current liabilities	1,163.7	405.3	783.3	448.7	1,947.0	854.0
Long-term liabilities	<u>3,382.5</u>	<u>4,218.4</u>	<u>3,546.8</u>	<u>3,600.0</u>	<u>6,929.3</u>	<u>7,818.4</u>
Total liabilities	<u>4,546.2</u>	<u>4,623.7</u>	<u>4,330.1</u>	<u>4,048.7</u>	<u>8,876.3</u>	<u>8,672.4</u>
Net Assets						
Invested in capital assets -						
Net of related debt	9,486.0	9,887.5	5,259.6	4,322.8	14,745.6	14,210.3
Restricted	123.8	81.0	-	-	123.8	81.0
Unrestricted	<u>5,312.0</u>	<u>4,968.8</u>	<u>4,477.6</u>	<u>4,706.2</u>	<u>9,789.6</u>	<u>9,675.0</u>
Total net assets	<u>\$ 14,921.8</u>	<u>\$ 14,937.3</u>	<u>\$ 9,737.2</u>	<u>\$ 9,029.0</u>	<u>\$ 24,659.0</u>	<u>\$ 23,966.3</u>

The City of Grosse Pointe's combined net assets increased 2.9 percent from a year ago - increasing from \$23,966,300 to \$24,659,000. In contrast, last year's net assets increased by 8.3 percent. As we look at the business-type activities separately from the governmental-type activities, we can see that net assets from business-type increased 7.8 percent mainly due to the construction of a City-owned municipal parking garage in the central business district.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, increased by \$343,200 for the governmental activities. This represents an increase of approximately 6.9 percent. The current level of unrestricted net assets for governmental activities stands at \$1,718,297. The targeted range is approximately 20 percent of the subsequent year's budgeted expenditures. The City annually transfers excess unrestricted net assets into a Capital Projects Fund to finance future purchases of capital equipment and building repairs.

City of Grosse Pointe, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year and as compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue:						
Charges for services	\$ 468.0	\$ 506.1	\$ 3,457.1	\$ 2,602.6	\$ 3,925.1	\$ 3,108.7
Operating grants and contributions	322.4	320.7	-	-	322.4	320.7
Capital grants and contributions	67.9	6.8	-	-	67.9	6.8
General revenue:						
Property taxes	5,679.0	5,542.2	-	-	5,679.0	5,542.2
State-shared revenues	496.0	494.5	-	-	496.0	494.5
Investment income	340.3	399.3	232.4	146.2	572.7	545.5
Gain on sale of capital assets	3.4	-	-	1,162.7	3.4	1,162.7
Other	166.0	162.5	-	50.3	166.0	212.8
Total revenue	7,543.0	7,432.1	3,689.5	3,961.8	11,232.5	11,393.9
Program Expenses						
General government	1,014.6	923.0	-	-	1,014.6	923.0
Public safety	3,095.4	3,306.1	-	-	3,095.4	3,306.1
Public works	2,297.1	2,359.3	-	-	2,297.1	2,359.3
Recreation and culture	1,005.9	844.6	-	-	1,005.9	844.6
Interest on long-term debt	145.5	185.6	-	-	145.5	185.6
Water and sewer	-	-	2,255.2	1,529.8	2,255.2	1,529.8
Automobile parking	-	-	562.7	253.8	562.7	253.8
Marina	-	-	163.4	156.3	163.4	156.3
Total program expenses	7,558.5	7,618.6	2,981.3	1,939.9	10,539.8	9,558.5
Change in Net Assets	(15.5)	(186.5)	708.2	2,021.9	692.7	1,835.4
Net Assets - Beginning of year	14,937.3	15,123.8	9,029.0	7,007.1	23,966.3	22,130.9
Net Assets - End of year	<u>\$ 14,921.8</u>	<u>\$ 14,937.3</u>	<u>\$ 9,737.2</u>	<u>\$ 9,029.0</u>	<u>\$ 24,659.0</u>	<u>\$ 23,966.3</u>

Governmental Activities

State-shared revenues were down 0.3 percent over the prior year and are expected to continue to decline. Property tax revenue and related charges posted a 2.5 percent increase as residential assessments declined 9.2 percent from 2007 to 2008. Property tax revenue is expected to decline in the future due to a sluggish housing market and stagnant economic growth in southeastern Michigan.

Program expenses were held in check by forgoing the purchase of capital equipment along with department heads making every effort to control operating expenses. Use of outside consultants has been reduced, and several healthcare changes have been made to restrain the rising cost of employer-provided health benefits.

City of Grosse Pointe, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City of Grosse Pointe's business-type activities consist of the Water and Sewer Fund, the Automobile Parking System Fund, and the Marina Fund. Water is supplied to residents from the City of Grosse Pointe Farms water treatment plant, and sewage is processed by the Detroit water and sewage system. All revenue in the business-type funds relies on charges to customers. Overall revenue from business-type activities decreased 7.4 percent mainly due to the sale of a fixed asset of the Automobile Parking System Fund. While revenues from charges for services increased nearly 33 percent, and investment income increased by 59 percent, these increases were offset by a reduction in the sale of fixed assets recorded in the previous year.

The City of Grosse Pointe's Major Funds

Our analysis of the City of Grosse Pointe's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City of Grosse Pointe as a whole. The City of Grosse Pointe creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City of Grosse Pointe's major funds for 2008-2009 include the General Fund and the Local Street Fund.

The General Fund pays for most of the City of Grosse Pointe's governmental services. The most significant services are public safety and public works, which have combined departmental expenses of \$4,069,745.

The Local Street Fund received \$81,192 in state revenue, a contribution from the General Fund of \$472,052, along with a contribution from the Capital Projects Fund of \$30,925 to finance street maintenance and construction, including tree removal and replacement.

General Fund Budgetary Highlights

The City of Grosse Pointe's General Fund departments stayed below budget, resulting in total expenditures \$136,116 below budget, while revenues exceeded budgeted expectations by \$159,739. The General Fund transferred \$2,371,755 to a Capital Projects Fund to finance future improvements and the purchase of capital equipment. The combination of these factors resulted in a decrease in General Fund balance from \$5,148,356 a year ago to \$3,072,456 at June 30, 2008, offset by creation of the Capital Projects Fund containing \$2,342,003.

Capital Asset and Debt Administration

At June 30, 2008, the City of Grosse Pointe had \$43,825,087 invested in a broad range of capital assets, including land, buildings, police and fire equipment, public works equipment, roads, and water and sewer lines. The depreciated value of these assets is \$23,084,694.

City of Grosse Pointe, Michigan

Management's Discussion and Analysis (Continued)

The City of Grosse Pointe issued Capital Improvement Bonds in the amount of \$3,600,000 to finance a new parking structure in the City's central business district. At June 30, 2008, \$4,381,234 was listed as a capital asset along with \$201,900 recorded in a construction in progress account in the automobile parking system as expenses to date for this construction project.

Economic Factors and Next Year's Budgets and Rates

The City of Grosse Pointe's 2008-2009 budget anticipates state revenue sharing to remain relatively stable. The City's tax rate remains unchanged. However, tax revenue is expected to decline due to the unstable housing market.

Contacting the City of Grosse Pointe's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City of Grosse Pointe's finances and to show the City of Grosse Pointe's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the finance department.

City of Grosse Pointe, Michigan

Statement of Net Assets June 30, 2008

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and investments (Note 3)	\$ 4,983,629	\$ 4,469,620	\$ 9,453,249
Receivables - Net	259,826	665,728	925,554
Internal balances (Note 4)	(68,866)	68,866	-
Prepaid and other assets	50,014	3,524	53,538
Noncurrent assets:			
Investment in Grosse Pointes - Clinton			
Refuse Disposal Authority	18,291	-	18,291
Advances to (from) other funds (Note 4)	1,354,159	(1,354,159)	-
Capital assets (Note 5):			
Nondepreciable capital assets	1,628,841	1,095,239	2,724,080
Depreciable capital assets - Net	11,242,117	9,118,497	20,360,614
Total assets	19,468,011	14,067,315	33,535,326
Liabilities			
Accounts payable	310,249	581,785	892,034
Accrued and other liabilities	284,025	50,072	334,097
Unearned revenue	-	51,680	51,680
Noncurrent liabilities:			
Due within one year (Note 6)	569,463	99,788	669,251
Due in more than one year (Note 6)	3,382,524	3,546,789	6,929,313
Total liabilities	4,546,261	4,330,114	8,876,375
Net Assets			
Invested in capital assets - Net of related debt	9,485,958	5,259,577	14,745,535
Restricted:			
Highway and streets	46,422	-	46,422
Police restricted use	77,406	-	77,406
Unrestricted	5,311,964	4,477,624	9,789,588
Total net assets	<u>\$ 14,921,750</u>	<u>\$ 9,737,201</u>	<u>\$ 24,658,951</u>

City of Grosse Pointe, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,014,637	\$ 221,054	\$ -	\$ 67,907
Public safety	3,095,411	-	75,773	-
Public works	2,297,127	219,813	246,669	-
Recreation and culture	1,005,998	27,142	-	-
Interest on long-term debt	145,501	-	-	-
Total governmental activities	7,558,674	468,009	322,442	67,907
Business-type activities:				
Water and sewer	2,255,252	2,685,522	-	-
Automobile parking	562,797	610,483	-	-
Marina	163,540	161,190	-	-
Total business-type activities	2,981,589	3,457,195	-	-
Total primary government	\$ 10,540,263	\$ 3,925,204	\$ 322,442	\$ 67,907
General revenues:				
Property taxes				
State sources				
Investment income				
Gain on sale of capital assets				
Miscellaneous revenue				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (725,676)	\$ -	\$ (725,676)
(3,019,638)	-	(3,019,638)
(1,830,645)	-	(1,830,645)
(978,856)	-	(978,856)
<u>(145,501)</u>	<u>-</u>	<u>(145,501)</u>
(6,700,316)	-	(6,700,316)
-	430,270	430,270
-	47,686	47,686
<u>-</u>	<u>(2,350)</u>	<u>(2,350)</u>
-	475,606	475,606
(6,700,316)	475,606	(6,224,710)
5,678,820	-	5,678,820
496,043	-	496,043
340,318	232,465	572,783
3,486	-	3,486
<u>165,996</u>	<u>-</u>	<u>165,996</u>
6,684,663	232,465	6,917,128
(15,653)	708,071	692,418
<u>14,937,403</u>	<u>9,029,130</u>	<u>23,966,533</u>
<u>\$ 14,921,750</u>	<u>\$ 9,737,201</u>	<u>\$ 24,658,951</u>

City of Grosse Pointe, Michigan

Governmental Funds Balance Sheet June 30, 2008

	General Fund	Major Special Revenue Fund - Local Streets Fund	Major Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 4,983,629	\$ -	\$ -	\$ -	\$ 4,983,629
Receivables:					
Taxes	10,201	-	-	-	10,201
Interest	30,995	-	-	-	30,995
Other	167,347	-	-	-	167,347
Due from other funds (Note 4)	40,807	185,483	2,417,736	552,406	3,196,432
Advance to other funds (Note 4)	1,354,159	-	-	-	1,354,159
Due from other governmental units	-	13,304	-	37,979	51,283
Prepaid expenses and other assets	49,095	495	-	424	50,014
Total assets	<u>\$ 6,636,233</u>	<u>\$ 199,282</u>	<u>\$ 2,417,736</u>	<u>\$ 590,809</u>	<u>\$ 9,844,060</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 82,337	\$ 172,170	\$ 44,808	\$ 10,934	\$ 310,249
Due to other funds (Note 4)	3,230,621	-	30,925	3,752	3,265,298
Accrued and other liabilities	193,327	2,444	-	1,963	197,734
Cash bonds and deposits	46,791	-	-	-	46,791
Deferred revenue	10,701	-	-	-	10,701
Total liabilities	3,563,777	174,614	75,733	16,649	3,830,773
Fund Balances					
Reserved for advances to other funds	1,354,159	-	-	-	1,354,159
Unreserved, reported in:					
General Fund	1,718,297	-	-	-	1,718,297
Special Revenue Funds	-	24,668	2,342,003	574,160	2,940,831
Total fund balances	3,072,456	24,668	2,342,003	574,160	6,013,287
Total liabilities and fund balances	<u>\$ 6,636,233</u>	<u>\$ 199,282</u>	<u>\$ 2,417,736</u>	<u>\$ 590,809</u>	<u>\$ 9,844,060</u>

City of Grosse Pointe, Michigan

Governmental Funds Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities June 30, 2008

Total Fund Balances of Governmental Funds	\$ 6,013,287
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	12,870,958
Certain revenues in the governmental funds are deferred and will be recognized as revenue in the fund statements in future years	10,701
Investment in Grosse Pointes - Clinton Refuse Disposal Authority is not be reported in the funds	18,291
Compensated absences are not due and payable in the current period and are not reported in the funds	(566,987)
Accrued interest payable is not due and payable in the current period and is not reported in the funds	(39,500)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(3,385,000)</u>
Net Assets of Governmental Activities	<u>\$ 14,921,750</u>

City of Grosse Pointe, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	General Fund	Major Special Revenue Fund - Local Streets Fund	Major Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 5,492,326	\$ -	\$ -	\$ 201,383	\$ 5,693,709
Licenses and permits	67,792	-	-	-	67,792
Federal sources	13,290	-	62,007	-	75,297
State sources	496,043	81,192	-	231,873	809,108
Charges for services	250,971	-	-	-	250,971
Fines and forfeitures	175,614	-	-	-	175,614
Investment income	319,406	-	-	2,621	322,027
Other	416,855	-	-	30,098	446,953
Total revenue	7,232,297	81,192	62,007	465,975	7,841,471
Expenditures					
General government	1,030,038	-	-	-	1,030,038
Judicial	166,441	-	-	-	166,441
Public safety	2,874,303	-	-	9,627	2,883,930
Public works	1,195,442	307,849	-	211,916	1,715,207
Recreation and culture	648,625	-	-	-	648,625
Debt service:					
Principal	-	-	-	210,000	210,000
Interest and other charges	-	-	-	162,725	162,725
Capital outlay	23,920	258,315	325,334	108,053	715,622
Total expenditures	5,938,769	566,164	325,334	702,321	7,532,588
Excess of Revenue Over (Under)					
Expenditures	1,293,528	(484,972)	(263,327)	(236,346)	308,883
Other Financing Sources (Uses)					
Operating transfers in (Note 4)	-	502,977	2,636,255	261,121	3,400,353
Operating transfers out (Note 4)	(3,369,428)	-	(30,925)	-	(3,400,353)
Total other financing sources (uses)	(3,369,428)	502,977	2,605,330	261,121	-
Net Change in Fund Balances	(2,075,900)	18,005	2,342,003	24,775	308,883
Fund Balances - Beginning of year	5,148,356	6,663	-	549,385	5,704,404
Fund Balances - End of year	<u>\$ 3,072,456</u>	<u>\$ 24,668</u>	<u>\$ 2,342,003</u>	<u>\$ 574,160</u>	<u>\$ 6,013,287</u>

City of Grosse Pointe, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	308,883
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		(611,573)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		210,000
Proceeds from sale of capital assets are reported as revenue in the governmental funds; the statement of activities reports a gain or loss		3,486
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year		(14,889)
Income from the Grosse Pointes - Clinton Refuse Disposal Authority is not recorded in the funds		18,291
Interest expense is recorded when incurred in the statement of activities		17,224
Decrease in accumulated employee sick and vacation pay is recorded when paid in the governmental funds		<u>56,411</u>
Change in Net Assets of Governmental Activities	\$	<u>(15,653)</u>

City of Grosse Pointe, Michigan

Proprietary Funds Statement of Net Assets June 30, 2008

	Water and Sewage Disposal System	Automobile Parking System	Marina	Total Enterprise Funds
Assets				
Current assets:				
Cash and investments	\$ 1,980,341	\$ 2,489,279	\$ -	\$ 4,469,620
Accounts receivable:				
Customers	587,269	-	-	587,269
Interest	25,893	14,356	-	40,249
Other	8,883	29,327	-	38,210
Due from other funds (Note 4)	60,423	-	51,287	111,710
Prepaid and other assets	1,726	1,702	96	3,524
Total current assets	2,664,535	2,534,664	51,383	5,250,582
Noncurrent assets:				
Capital assets - Net (Note 5):				
Nondepreciable capital assets	-	1,095,239	-	1,095,239
Depreciable capital assets	2,750,054	4,464,067	1,904,376	9,118,497
Total noncurrent assets	2,750,054	5,559,306	1,904,376	10,213,736
Total assets	5,414,589	8,093,970	1,955,759	15,464,318
Liabilities				
Current liabilities:				
Accounts payable	265,464	316,099	222	581,785
Due to other funds (Note 4)	-	37,055	5,789	42,844
Accrued and other liabilities	5,777	43,334	961	50,072
Current liabilities payable (Note 6)	13,007	85,932	849	99,788
Unearned revenue	-	51,680	-	51,680
Total current liabilities	284,248	534,100	7,821	826,169
Noncurrent liabilities:				
Long-term debt - Net of current portion (Note 6)	11,640	3,534,676	473	3,546,789
Advance from other funds (Note 4)	-	-	1,354,159	1,354,159
Total noncurrent liabilities	11,640	3,534,676	1,354,632	4,900,948
Total liabilities	295,888	4,068,776	1,362,453	5,727,117
Net Assets				
Invested in capital assets - Net of related debt	2,750,054	1,959,306	550,217	5,259,577
Unrestricted	2,368,647	2,065,888	43,089	4,477,624
Total net assets	\$ 5,118,701	\$ 4,025,194	\$ 593,306	\$ 9,737,201

City of Grosse Pointe, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Water and Sewage Disposal System	Automobile Parking System	Marina	Total Enterprise Funds
Operating Revenue				
Customer billings	\$ 2,540,365	\$ -	\$ -	\$ 2,540,365
Parking lot and meter charges	-	535,483	-	535,483
Marina rentals and charges for services	-	-	161,190	161,190
Miscellaneous revenue	145,157	75,000	-	220,157
Total operating revenue	2,685,522	610,483	161,190	3,457,195
Operating Expenses				
General and administrative	171,212	112,050	-	283,262
Cost of water	334,481	-	-	334,481
Cost of sewage disposal	838,196	-	-	838,196
Operation and maintenance	784,098	219,757	44,929	1,048,784
Depreciation	127,265	98,195	76,302	301,762
Total operating expenses	2,255,252	430,002	121,231	2,806,485
Operating Income	430,270	180,481	39,959	650,710
Nonoperating Income (Expense)				
Investment income	55,508	176,957	-	232,465
Interest expense	-	(132,795)	(42,309)	(175,104)
Total nonoperating income (expense)	55,508	44,162	(42,309)	57,361
Change in Net Assets	485,778	224,643	(2,350)	708,071
Net Assets - Beginning of year	4,632,923	3,800,551	595,656	9,029,130
Net Assets - End of year	\$ 5,118,701	\$ 4,025,194	\$ 593,306	\$ 9,737,201

City of Grosse Pointe, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Water and Sewage Disposal System	Automobile Parking System	Marina	Total Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,723,561	\$ 610,483	\$ 161,190	\$ 3,495,234
Payments to suppliers	(2,007,585)	(81,856)	(30,722)	(2,120,163)
Payments to employees	(188,795)	(148,743)	(12,743)	(350,281)
Other receipts and payments	(54,236)	5,635	(19,266)	(67,867)
Net cash provided by operating activities	472,945	385,519	98,459	956,923
Cash Flows from Capital and Related Financing Activities				
Interest and principal paid on long-term debt	-	(132,795)	(98,459)	(231,254)
Purchase of capital assets	(199,787)	(3,989,932)	-	(4,189,719)
Net cash used in capital and related financing activities	(199,787)	(4,122,727)	(98,459)	(4,420,973)
Cash Flows from Investing Activities - Investment income	55,508	176,957	-	232,465
Net Increase (Decrease) in Cash and Cash Equivalents	328,666	(3,560,251)	-	(3,231,585)
Cash and Cash Equivalents - July 1, 2007	1,651,675	6,049,530	-	7,701,205
Cash and Cash Equivalents - June 30, 2008	<u>\$ 1,980,341</u>	<u>\$ 2,489,279</u>	<u>\$ -</u>	<u>\$ 4,469,620</u>
Balance Sheet Classification of Cash and Cash Equivalents -				
Cash and cash equivalents	<u>\$ 1,980,341</u>	<u>\$ 2,489,279</u>	<u>\$ -</u>	<u>\$ 4,469,620</u>
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 430,270	\$ 180,481	\$ 39,959	\$ 650,710
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	127,265	98,195	76,302	301,762
Changes in assets and liabilities:				
Receivables	38,039	-	-	38,039
Accrued interest receivable	(11,763)	-	-	(11,763)
Prepaid assets	2,949	(21,537)	40	(18,548)
Due from other funds	(38,394)	-	(21,539)	(59,933)
Other receivables	(8,753)	-	-	(8,753)
Accounts payable	(93,040)	80,870	142	(12,028)
Accrued and other liabilities	26,372	60,415	1,934	88,721
Due to other funds	-	(15,749)	1,621	(14,128)
Deferred revenue	-	2,844	-	2,844
Net cash provided by operating activities	<u>\$ 472,945</u>	<u>\$ 385,519</u>	<u>\$ 98,459</u>	<u>\$ 956,923</u>

During the year ended June 30, 2008, there was noncash activity in the amount of \$201,902, related to the retainage payable on the parking structure construction.

City of Grosse Pointe, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2008

	Pension and Other Employee Benefit Plans
	<hr/>
Assets	
Investments:	
Corporate bonds and notes	\$ 4,024,765
U.S. federal agencies	2,295,774
Common and preferred stock	19,224,783
Mutual funds	5,599,933
Interest receivable	149,023
Other receivable	3,002
Prepaid expenses	<hr/> 11,021
 Total assets	 31,308,301
 Liabilities - Accounts payable	 <hr/> 745,150
 Net Assets	
Held in trust for pension benefits	28,957,326
Held in trust for postemployment health benefits	<hr/> 1,605,825
 Total net assets	 <hr/> <hr/> \$ 30,563,151

City of Grosse Pointe, Michigan

Fiduciary Funds Statement of Changes in Net Assets Pension and Private Purpose Trust Funds Year Ended June 30, 2008

	<u>Pension and Other Employee Benefit Plans</u>
Additions	
Investment income:	
Interest and dividends	\$ 1,160,193
Net depreciation in fair value of investments	(3,808,340)
Less investment expenses	<u>(94,903)</u>
Net investment income	(2,743,050)
Contributions:	
Employer	284,760
Employee	<u>187,283</u>
Total contributions	<u>472,043</u>
Total additions	(2,271,007)
Deductions	
Benefit payments	1,177,571
Annuity savings refunded	136,999
Health insurance payments	<u>630,466</u>
Total deductions	<u>1,945,036</u>
Net Decrease	(4,216,043)
Net Assets	
Beginning of year	<u>34,779,194</u>
End of year	<u><u>\$ 30,563,151</u></u>

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Grosse Pointe, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Grosse Pointe, Michigan:

Reporting Entity

The City of Grosse Pointe, Michigan is governed by an elected mayor and six-member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Although the blended component unit is a legal separate entity, in substance, it is part of the City's operations.

Blended Component Unit - The City's Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. There are Building Authority bonds outstanding as of year end; however, there is no activity related to the component unit.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue items not properly included among program revenues are reported instead as general revenue.

Note I - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund accounts for large capital improvements and purchases.

Local Streets Fund - The Local Streets Fund accounts for financial resources to be used for the maintenance and construction of local roads.

The City reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and the sewage and storm water collection systems. Funding is provided primarily through user charges.

Automobile Parking Fund - The Automobile Parking Fund accounts for the activities of the City's parking lots. Funding is provided primarily through user charges.

Marina Fund - The Marina Fund accounts for the activities of the City's marina. Funding is provided primarily through user charges.

Additionally, the City reports the following fund types:

Special Revenue Funds - These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt Service Fund - The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

Pension Trust Fund - The Pension Trust Fund accounts for the activities of the employees' retirement system, which accumulates resources for retirement benefits.

Postemployment Benefits Fund - The Postemployment Benefits Fund accounts for the postemployment healthcare payments to qualified employees.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued before December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989 for its Enterprise Funds.

When an expense has been incurred for purposes for which both restricted and unrestricted net assets are available, it is the City's policy to first apply restricted resources.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Property Taxes - Properties are assessed as of December 31. The related property taxes are billed on the following July 1 and October 1. The first half of the property taxes is due without penalty by August 10 and the second half of the property taxes is due without penalty by November 10. The final local collection date is February 28.

The 2007 taxable valuation of the City totaled \$403 million, on which ad valorem taxes levied consisted of 11.8391 mills for the City's operating purposes, 1.1609 for rubbish collection, and .5000 mills for City debt. The ad valorem taxes levied raised \$4.7 million for operations (taxes are reflected in the General Fund), \$470,000 for rubbish collection, and \$201,000 for City debt.

The delinquent real property taxes of the City are purchased by Wayne County. The county sells tax notes, the proceeds of which are used to pay the City for these property taxes. Wayne County remitted its purchased delinquent real property taxes in July 2008. Wayne County's delinquent real property taxes have been recorded as revenue in the current year.

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	5 to 25 years
Vehicles and equipment	5 to 25 years
Improvements	15 to 25 years
Elworthy parks and recreation	10 to 40 years
Other	2 to 10 years
Infrastructure	5 to 10 years
Water and sewer infrastructure	40 - 50 years
Parking lot improvements	13 years
Parking structure	30 years
Marina	30 years

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused sick and compensatory time benefits, subject to certain limitations. All sick time pay is accrued at 50 percent of earned and unused leave hours, up to a certain limit depending on the employee's job category. Unused vacation leave hours are recorded at 100 percent of unused vacation hours. The liability for sick and vacation time is recorded in the government-wide and proprietary fund financial statements.

Long-term Obligations - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Note 1 - Summary of Significant Accounting Policies (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end, except for those approved by the City Council for carryforward. The legal level of budgetary control is the functional level for the General Fund and the fund level for Special Revenue Funds.

The budget statements (budgetary combined schedules for the General and Major Special Revenue Funds) are presented on the same basis of accounting used in preparing the adopted budget.

A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as adopted by the City Council is included in the required supplemental information. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budgets as adopted by the City Council is available at the city hall for inspection.

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 2 - Stewardship, Compliance, and Accountability (Continued)

The City Council requires the City's director of finance to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in May. The City's director of finance is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. City Council approval is required for any budgetary changes that result in an increase in net appropriations.

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the City Council in the form of budget amendment resolutions or as part of special authorizing motions for grants, bonds, or notes, the total of which is not significant in relation to the original budget appropriation valuations.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were in excess of the amounts budgeted in the operating transfers out of the General Fund. The amended budget amount was \$66,621 and the actual amount was \$3,369,428. This large budget variance was due to the fact that the City Council decided to transfer monies out of the General Fund and into the Capital Projects Fund and the budget was not amended.

State Construction Code Act - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2007	\$ (35,387)
Current year building permit revenue	62,290
Direct expenses	<u>(111,488)</u>
Cumulative shortfall at June 30, 2008	<u>\$ (84,585)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in certificates of deposit of financial institutions that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; bankers' acceptances of United States banks; commercial paper which matures not more than 270 days after the date of purchase; investment pools through an interlocal agreement under the Urban Cooperation Act of 1967; investment pools organized under the Surplus Investment Act of 1982; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Employees' Retirement System is also authorized by Michigan's Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated three banks for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs of federally insured financial institutions, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds, but not the remainder of state statutory authority as listed above. The City of Grosse Pointe, Michigan's deposits and investment policies are in accordance with statutory authority.

Declines in Investment Values - Subsequent to year end, the City's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a deposit policy for custodial credit risk. At year end, the City had \$5,058,495 of bank deposits (certificates of deposit, checking, and savings accounts). Of that amount, approximately \$4,100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with maximum of a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment Type	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	10 Years and More
Primary Government					
Federal National Mortgage Association	\$ 2,701,025	\$ -	\$ 525,915	\$ 715,605	\$ 1,459,505
Federal Home Loan Mortgage Corp.	743,074	-	454,726	96,966	191,382
Federal Farm Credit Bank	100,531	-	100,531	-	-
Fiduciary Funds					
U.S. government agencies and securities:					
Corporate - Fixed	4,088,629	857,315	2,105,664	1,100,900	24,750
U.S. federal agencies - Fixed	2,331,164	-	989,037	1,342,127	-
Mutual funds	5,599,934	5,599,934	-	-	-

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment Type	Fair Value	Rating	Rating Organization
Primary Government			
Federal National Mortgage Association	\$ 2,701,025	AAA	S&P
Federal Home Loan Mortgage Corp.	743,074	AAA	S&P
Federal Farm Credit Bank	100,531	AAA	S&P
Sweep accounts	749,690	Aaa	Moody's
Fiduciary Funds			
U.S. government agencies and securities:			
Corporate bonds	249,000	AAA	S&P
	454,000	AA	S&P
	1,798,000	A	S&P
	558,000	BBB	S&P
	247,000	BB	S&P
	551,000	B	S&P
	232,000	NR	N/A
U.S. government - Agency	2,331,000	AAA	S&P
Mutual funds	5,600,000	N/R	N/A

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer. The City has more than 5 percent of its investments in the following:

Governmental Activities

U.S. government agencies and securities:

Federal Home Loan Bank	5.72%
Federal Home Loan Mortgage Corp.	10.30%
Federal National Mortgage Association	83.98%

Fiduciary Funds

Equity securities:

Comerica	15.55%
Federal Home Loan Bank	16.40%

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund receivables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Parking System Fund	\$ 37,055
	Nonmajor governmental funds	<u>3,752</u>
	Total General Fund	40,807
Capital Projects Fund	General Fund	2,417,736
Local Streets Fund	General Fund	154,558
	Capital Projects Fund	<u>30,925</u>
	Total Local Streets Fund	185,483
Nonmajor governmental funds	General Fund	552,406
Enterprise Funds:		
Water and Sewer Fund	General Fund	54,634
	Marina Fund	<u>5,789</u>
	Total Water and Sewer Fund	60,423
Marina Fund	General Fund	<u>51,287</u>
	Total	<u><u>\$ 3,308,142</u></u>

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The composition of advances between funds at June 30, 2008 is as follows:

<u>Advance From</u>	<u>Advance To</u>	<u>Amount</u>
Advances from/to Other Funds		
General Fund	Marina Fund	<u>\$ 1,354,159</u>

In 2003, the General Fund advanced approximately \$1.5 million to the Marina Fund. The advance is being repaid to the General Fund over 20 years at a 3 percent interest rate.

Interfund transfers reported in the fund statements were as follows:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Local Streets Fund (1)	\$ 472,052
	Capital Projects Fund (3)	2,636,255
	Nonmajor governmental funds (1) (2)	<u>261,121</u>
	Total General Fund	3,369,428
Capital Projects Fund	Local Streets Fund	<u>30,925</u>
	Total	<u>\$ 3,400,353</u>

- (1) Transfer allowed under State Law Act 51 for maintenance
- (2) Transfer of discretionary funds to offset debt payments
- (3) Transfer from General Fund to set up the Capital Projects Fund

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Governmental activities:				
Capital assets not being depreciated - Land	\$ 1,628,841	\$ -	\$ -	\$ 1,628,841
Capital assets being depreciated:				
Building	4,539,265	-	-	4,539,265
Vehicles and equipment	2,016,701	203,750	(135,241)	2,085,210
Improvements	4,804,834	107,513	-	4,912,347
Elworthy parks and recreation	482,072	-	-	482,072
Other	775,317	-	-	775,317
Infrastructure	15,106,312	295,121	-	15,401,433
Subtotal	27,724,501	606,384	(135,241)	28,195,644
Accumulated depreciation:				
Building	1,375,271	210,559	-	1,585,830
Vehicles and equipment	1,449,584	116,291	(135,241)	1,430,634
Improvements	1,777,089	215,066	-	1,992,155
Elworthy parks and recreation	361,638	15,483	-	377,121
Other	518,444	66,519	-	584,963
Infrastructure	10,388,785	594,039	-	10,982,824
Subtotal	15,870,811	1,217,957	(135,241)	16,953,527
Net capital assets being depreciated	11,853,690	(611,573)	-	11,242,117
Net governmental capital assets	\$ 13,482,531	\$ (611,573)	\$ -	\$ 12,870,958

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Business-type activities:				
Water and sewer capital assets:				
Capital assets being depreciated:				
Water infrastructure	\$ 3,933,397	\$ 180,816	\$ -	\$ 4,114,213
Sewer rehabilitation	1,044,248	18,971	(15,688)	1,047,531
Vehicles and equipment	474,814	-	-	474,814
Subtotal	5,452,459	199,787	(15,688)	5,636,558
Accumulated depreciation:				
Water infrastructure	2,075,474	72,252	-	2,147,726
Sewer rehabilitation	330,312	18,234	(15,688)	332,858
Vehicles and equipment	369,141	36,779	-	405,920
Subtotal	2,774,927	127,265	(15,688)	2,886,504
Net water and sewer capital assets	2,677,532	72,522	-	2,750,054
Automobile parking system capital assets:				
Capital assets not being depreciated:				
Land and land improvements	893,337	-	-	893,337
Construction in progress	436,943	-	(235,041)	201,902
Subtotal	1,330,280	-	(235,041)	1,095,239
Capital assets being depreciated:				
Parking lot and improvements	285,593	4,381,234	-	4,666,827
Parking meters	210,197	-	-	210,197
Vehicles and equipment	95,066	45,641	-	140,707
Subtotal	590,856	4,426,875	-	5,017,731
Accumulated depreciation:				
Parking lot and improvements	233,165	84,201	-	317,366
Parking meters	127,238	12,877	-	140,115
Vehicles and equipment	95,066	1,117	-	96,183
Subtotal	455,469	98,195	-	553,664
Net capital assets being depreciated	135,387	4,328,680	-	4,464,067
Net automobile parking capital assets	1,465,667	4,328,680	(235,041)	5,559,306

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Business-type activities (Continued):				
Marina capital assets:				
Capital assets being depreciated:				
Marina	\$ 2,175,034	\$ -	\$ -	\$ 2,175,034
Kayak landing and storage	76,040	-	-	76,040
Subtotal	2,251,074	-	-	2,251,074
Accumulated depreciation:				
Marina	253,287	72,500	-	325,787
Kayak landing and storage	17,109	3,802	-	20,911
Subtotal	270,396	76,302	-	346,698
Net marina capital assets	1,980,678	(76,302)	-	1,904,376
Net business-type activity capital assets	<u>\$ 6,123,877</u>	<u>\$ 4,324,900</u>	<u>\$ (235,041)</u>	<u>\$ 10,213,736</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 55,758
Public safety	112,790
Public works	809,560
Recreation and culture	239,849
Total governmental activities	<u>\$ 1,217,957</u>
Business-type activities:	
Water and sewer	\$ 127,265
Automobile parking	98,195
Marina	76,302
Total business-type activities	<u>\$ 301,762</u>

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements are also general obligations of the government. Other long-term obligations include compensated absences, claims and judgments, and certain risk liabilities.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:						
2001 Limited Tax General Obligation Building Authority Bonds						
Amount of issue - \$1,910,000	4.20% -					
Maturing through 2014	4.90%	\$ 1,295,000	\$ -	\$ (135,000)	\$ 1,160,000	\$ 135,000
2001 Unlimited Tax General Obligation Bonds						
Amount of issue - \$2,600,000	4.30% -					
Maturing through 2020	5.00%	2,300,000	-	(75,000)	2,225,000	100,000
Compensated absences		623,398	-	(56,411)	566,987	334,463
Total governmental activities		4,218,398	-	(266,411)	3,951,987	569,463
Business-type activities:						
2007 Limited Tax Obligation Capital Improvement Bonds						
Amount of issue - \$3,600,000	4.00%					
Maturing through 2031	4.10%	3,600,000	-	-	3,600,000	75,000
Compensated absences		-	46,577	-	46,577	24,788
Total business-type activities		3,600,000	46,577	-	3,646,577	99,788
Total governmental and business-type activities		\$ 7,818,398	\$ 46,577	\$ (266,411)	\$ 7,598,564	\$ 669,251

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 235,000	\$ 152,950	\$ 387,950	\$ 75,000	\$ 143,013	\$ 218,013
2010	255,000	142,287	397,287	75,000	140,013	215,013
2011	280,000	130,377	410,377	100,000	136,513	236,513
2012	300,000	117,240	417,240	100,000	132,513	232,513
2013	325,000	102,915	427,915	100,000	128,513	228,513
2014-2018	1,265,000	306,685	1,571,685	550,000	580,563	1,130,563
2019-2023	725,000	51,717	776,717	700,000	456,963	1,156,963
2024-2028	-	-	-	950,000	293,931	1,243,931
2029-2032	-	-	-	950,000	79,950	1,029,950
Total	<u>\$ 3,385,000</u>	<u>\$ 1,004,172</u>	<u>\$ 4,389,172</u>	<u>\$ 3,600,000</u>	<u>\$ 2,091,973</u>	<u>\$ 5,691,973</u>

Note 7 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The City has purchased commercial insurance for all types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 - Retirement Plan

Plan Description - The City of Grosse Pointe Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the City of Grosse Pointe; this plan covers all full-time employees of the City. The system provides retirement and postemployment benefits as well as disability and death benefits to plan members and their beneficiaries. At June 30, 2007, the date of the most recent actuarial valuation, membership consisted of 48 retirees and beneficiaries currently receiving benefits and one terminated employee entitled to benefits but not yet receiving them, and 50 current active employees. The plan does not issue a separate financial report.

Note 8 - Retirement Plan (Continued)

Annual Pension Costs

For the year ended June 30, 2008, the City's annual pension costs were fully funded with credits resulting from amortization of plan assets in excess of plan liabilities. The City was not required to and did not make a contribution during the year. The annual required contribution was determined as part of an actuarial valuation at June 30, 2007, using the entry age cost method. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return and (b) projected salary increases of 5.5 percent to 9.5 percent per year. An inflation component of 5 percent is included in (b) above. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 10 years.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining unit and other employee groups and requires a contribution from public safety employees of 6 percent and all City employees of 5 percent of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs are financed through investment earnings.

Reserve Balances

The reserve for employee contributions is a legally required reserve and at June 30, 2008, the reserve was \$2,753,529.

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 8 - Retirement Plan (Continued)

Financial Statement Information

As of June 30, 2008, the statement of net assets for the pension plan is as follows:

Assets

Investments:

Corporate bonds and notes	\$ 3,975,053
U.S. federal agencies	1,983,055
Common and preferred stock	18,858,227
Mutual funds	4,496,213
Interest receivable	146,422
Other receivable	291

Total assets	29,459,261
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Liabilities - Accounts payable	<u>501,935</u>
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Net Assets Held in Trust for Pension Benefits	<u><u>\$ 28,957,326</u></u>
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City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 8 - Retirement Plan (Continued)

For the year ended June 30, 2008, the statement of changes in net assets for the pension plan is as follows:

Additions

Investment income:	
Interest and dividends	\$ 1,097,073
Net depreciation in fair value of investments	(3,826,302)
Less investment expenses	<u>(92,197)</u>
Net investment income	(2,821,426)
Contributions - Employee	<u>187,283</u>
Total additions	(2,634,143)

Deductions

Benefit payments	1,177,571
Annuity savings refunded	136,999
Health insurance payments	<u>284,760</u>
Total deductions	<u>1,599,330</u>

Net Decrease	(4,233,473)
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Net Assets

Beginning of year	<u>33,190,799</u>
End of year	<u>\$ 28,957,326</u>

Supplemental Information

The required supplemental information presented directly following the notes to the financial statements contained in the combining and individual fund section is designed to provide information about the plans' progress in accumulating sufficient assets to pay benefits when due.

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 8 - Retirement Plan (Continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Overfunded AAL as a Percentage of Covered Payroll
12/31/02	\$ 27,681,156	\$ 19,081,040	\$ 8,600,116	145.1	\$ 2,595,147	331.4
12/31/03	29,139,491	18,887,820	10,251,671	154.3	2,902,824	353.2
12/31/04	30,277,581	19,566,266	10,711,315	154.7	2,750,353	389.5
12/31/05	30,876,362	20,458,379	10,417,983	150.9	3,063,467	340.1
*06/30/06	31,089,837	20,664,559	10,425,278	150.5	3,063,467	340.3
06/30/07	31,113,353	21,281,396	9,831,957	146.2	3,112,268	315.9

* The City changed the actuarial date from December to June to match the City's fiscal year.

Three-year trend information as of June 30 follows:

	Fiscal Year Ended June 30		
	2006	2007	2008
Employees' retirement system:			
Annual pension costs (APC)	\$ -	\$ -	\$ -
Percentage of APC contributed	N/A	N/A	N/A
Net pension obligation	\$ -	\$ -	\$ -

Note 9 - Other Postemployment Benefits

The City provides health care to all full-time employees upon retirement, in accordance with labor contracts and with the City of Grosse Pointe Post-Employment Health Care Benefits Plan (the "Plan"). The Plan was established by ordinance and created by a 420 transfer from excess reserves in the City of Grosse Pointe Employees' Retirement System fund on June 30, 2006. Currently, 39 retirees are eligible and receiving benefits and one eligible retiree has chosen not to participate. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, with some retired employee groups contributing a portion of the cost. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare benefits were paid by the General Fund as the insurance premiums became due; during the year, this amounted to approximately \$345,700. Contributions to the healthcare plan amounted to \$284,760.

City of Grosse Pointe, Michigan

Notes to Financial Statements June 30, 2008

Note 9 - Other Postemployment Benefits (Continued)

Financial Statement Information

As of June 30, 2008, the statement of net assets for the postemployment health benefits plan is as follows:

Assets

Investments:

Corporate bonds and notes	\$	49,712
U.S. federal agencies		312,719
Common and preferred stock		366,556
Mutual funds		1,103,720
Interest receivable		2,601
Other receivable		2,711
Prepaid expenses		11,021

Total assets 1,849,040

Liabilities - Accounts payable 243,215

Net Assets Held in Trust for Pension Benefits \$ 1,605,825

For the year ended June 30, 2008, the statement of changes in net assets for the postemployment health benefits plan is as follows:

Additions

Investment income:

Interest and dividends	\$	63,120
Net appreciation in fair value of investments		8,857
Less investment expenses		(2,706)
Other		9,105

Net investment income 78,376

Contributions - Employer 284,760

Total additions 363,136

Deductions - Health insurance payments 345,706

Net Increase 17,430

Net Assets Held in Trust for Pension Benefits

Beginning of year 1,588,395

End of year \$ 1,605,825

Note 9 - Other Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

Note 10 - Joint Venture

The City is a member of the Grosse Pointes-Clinton Refuse Disposal Authority joint venture (the "Authority"), which provides refuse disposal services to participating municipalities in the counties of Wayne and Macomb, Michigan. Other members include the cities of Grosse Pointe Farms, Grosse Pointe Park, Grosse Point, Harper Woods, Mount Clemens, Grosse Pointe Woods, and the Township of Clinton. The City Council appoints one member to the Authority's governing board, which then approves its budget. The Authority currently contracts with a commercial refuse disposal company and bills members for their proportionate share of the costs.

The City's interest in the net assets of the Authority totaled approximately \$18,000 at June 30, 2008 and is reported as part of the governmental activities in the statement of net assets. The City is unaware of any circumstances, including potential environmental remediation, that would cause an additional burden to the participating municipalities in the near future. Complete financial statements for the Authority can be obtained from its administrative offices at 27941 Harper Avenue, Suite 106, St. Clair Shores, MI 48081.

Required Supplemental Information

City of Grosse Pointe, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 5,441,235	\$ 5,441,235	\$ 5,492,326	\$ 51,091
Licenses and permits	96,840	96,840	67,792	(29,048)
Federal sources	4,700	4,700	13,290	8,590
State sources	472,500	472,500	496,043	23,543
Charges for services	222,400	222,400	250,971	28,571
Fines and forfeitures	197,500	197,500	175,614	(21,886)
Investment income	245,000	245,000	319,406	74,406
Other	392,380	392,380	416,855	24,475
Total revenue	7,072,555	7,072,555	7,232,297	159,742
Expenditures				
General government	1,149,285	1,149,285	1,030,038	119,247
Judicial	166,563	166,563	166,441	122
Public safety	2,906,348	2,906,348	2,874,303	32,045
Public works	1,213,547	1,223,547	1,195,442	28,105
Recreation and culture	595,619	592,789	648,625	(55,836)
Capital outlay	287,200	287,200	23,920	263,280
Total expenditures	6,318,562	6,325,732	5,938,769	386,963
Excess of Revenue Over Expenditures	753,993	746,823	1,293,528	546,705
Other Financing Uses - Operating transfers out	(661,621)	(661,621)	(3,369,428)	(2,707,807)
Net Change in Fund Balances	92,372	85,202	(2,075,900)	(2,161,102)
Fund Balances - Beginning of year	5,148,356	5,148,356	5,148,356	-
Fund Balances - End of year	<u>\$ 5,240,728</u>	<u>\$ 5,233,558</u>	<u>\$ 3,072,456</u>	<u>\$ (2,161,102)</u>

City of Grosse Pointe, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2008

	Local Streets			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenues - State sources	\$ 80,000	\$ 80,000	\$ 81,192	\$ 1,192
Expenditures				
Construction	246,000	246,000	258,315	(12,315)
Routine maintenance	254,023	254,023	248,305	5,718
Winter maintenance	18,263	18,263	22,720	(4,457)
Traffic services	3,000	3,000	4,606	(1,606)
Administration	29,200	29,200	32,218	(3,018)
Total expenditures	550,486	550,486	566,164	(15,678)
Excess of Expenditures Over Revenue	(470,486)	(470,486)	(484,972)	(14,486)
Other Financing Sources - Operating transfers in	469,746	469,746	502,977	33,231
Net Change in Fund Balances	(740)	(740)	18,005	18,745
Fund Balances - Beginning of year	6,663	6,663	6,663	-
Fund Balances - End of year	<u>\$ 5,923</u>	<u>\$ 5,923</u>	<u>\$ 24,668</u>	<u>\$ 18,745</u>

City of Grosse Pointe, Michigan

Required Supplemental Information Budgetary Comparison Schedule Year Ended June 30, 2008

	Capital Projects			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenues - Federal sources	\$ 76,470	\$ 76,470	\$ 62,007	\$ (14,463)
Expenditures - Capital outlay	<u>318,970</u>	<u>318,970</u>	<u>325,334</u>	<u>(6,364)</u>
Excess of Expenditures Over Revenue	(242,500)	(242,500)	(263,327)	(20,827)
Other Financing Sources (Uses)				
Operating transfers in	264,500	264,500	2,636,255	2,371,755
Operating transfers out	<u>-</u>	<u>-</u>	<u>(30,925)</u>	<u>(30,925)</u>
Total other financing sources	<u>264,500</u>	<u>264,500</u>	<u>2,605,330</u>	<u>2,340,830</u>
Net Change in Fund Balances	22,000	22,000	2,342,003	2,320,003
Fund Balances - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 22,000</u>	<u>\$ 22,000</u>	<u>\$ 2,342,003</u>	<u>\$ 2,320,003</u>

City of Grosse Pointe, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions June 30, 2008

The schedule of funding progress for the City's pension system is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Overfunded AAL as a Percentage of Covered Payroll
12/31/02	\$ 27,681,156	\$ 19,081,040	\$ 8,600,116	145.1	\$ 2,595,147	331.4
12/31/03	29,139,491	18,887,820	10,251,671	154.3	2,902,824	353.2
12/31/04	30,277,581	19,566,266	10,711,315	154.7	2,750,353	389.5
12/31/05	30,876,362	20,458,379	10,417,983	150.9	3,063,467	340.1
*06/30/06	31,089,837	20,664,559	10,425,278	150.5	3,063,467	340.3
06/30/07	31,113,353	21,281,396	9,831,957	146.2	3,112,268	315.9

* The City changed the actuarial date from December to June to match the City's fiscal year.

The schedule of employer contributions for the City's pension system is as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	\$ -	N/A
2004	-	N/A
2005	-	N/A
2006	-	N/A
2007	-	N/A
2008	-	N/A

Additional information as of June 30, 2007, the latest actuarial valuation date, follows:

Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll, closed
Remaining amortization period	10 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases*	5%-9.5%
Cost of living adjustments	None

*Includes inflation at 5 percent

City of Grosse Pointe, Michigan

Required Supplemental Information Postemployment Benefits Schedule of Funding Progress June 30, 2008

The schedule of funding progress for the City's postemployment benefit system is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
12/31/00	\$ 2,551,571	\$ 3,107,305	\$ 555,734	82.1	\$ 2,598,727	21.4
*12/31/02	1,403,232	2,254,340	851,108	62.2	2,595,147	32.8
12/31/03	1,403,232	2,753,152	1,349,920	51.0	2,902,824	46.5
12/31/04	1,403,232	2,988,814	1,585,582	46.9	2,750,353	57.7
06/30/06	1,543,474	* 6,921,083	5,377,609	22.3	3,063,467	175.5

* There was no actuarial valuation performed as of December 31, 2001 and 2005.

** The City changed the actuarial date from December to June to match the City's fiscal year.

*** In the actuarial report for June 30, 2006, the actuary began computing the actuarial accrued liability based on current retirees and current active employees. Prior to that, the calculation was only computed for current retirees.

Note - There was no actuarial valuation for the period ended June 30, 2007

Additional information as of June 30, 2006, the latest actuarial valuation date, follows:

Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases*	None
Cost of living adjustments	None

*Includes inflation at 5 percent

Other Supplemental Information

City of Grosse Pointe, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Nonmajor Special Revenue Funds				Total Nonmajor Governmental Funds
	Major Street Fund	Drug Forfeiture	Budget Stabilization	Debt Service	
Assets					
Due from other funds	\$ -	\$ 77,406	\$ 475,000	\$ -	\$ 552,406
Due from other governmental units	37,979	-	-	-	37,979
Prepaid expenses	424	-	-	-	424
Total assets	<u>\$ 38,403</u>	<u>\$ 77,406</u>	<u>\$ 475,000</u>	<u>\$ -</u>	<u>\$ 590,809</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 10,934	\$ -	\$ -	\$ -	\$ 10,934
Due to other funds	3,752	-	-	-	3,752
Accrued and other liabilities	1,963	-	-	-	1,963
Total liabilities	16,649	-	-	-	16,649
Fund Balances - Unreserved	21,754	77,406	475,000	-	574,160
Total liabilities and fund balances	<u>\$ 38,403</u>	<u>\$ 77,406</u>	<u>\$ 475,000</u>	<u>\$ -</u>	<u>\$ 590,809</u>

City of Grosse Pointe, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2008

	Nonmajor Special Revenue Funds				Total Nonmajor Governmental Funds
	Major Streets	Drug Forfeiture	Budget Stabilization	Debt Service	
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ 201,383	\$ 201,383
State sources	231,873	-	-	-	231,873
Investment income	-	2,621	-	-	2,621
Other	-	30,098	-	-	30,098
Total revenue	231,873	32,719	-	201,383	465,975
Expenditures					
Public safety	-	9,627	-	-	9,627
Public works:					
Construction	-	-	-	-	-
Routine maintenance	148,771	-	-	-	148,771
Winter maintenance	26,164	-	-	-	26,164
Traffic service	19,681	-	-	-	19,681
Administration	17,300	-	-	-	17,300
Debt service:					
Principal	-	-	-	210,000	210,000
Interest and fiscal charges	-	-	-	162,725	162,725
Capital outlay	101,073	6,980	-	-	108,053
Total expenditures	312,989	16,607	-	372,725	702,321
Excess of Revenue Over (Under)					
Expenditures	(81,116)	16,112	-	(171,342)	(236,346)
Other Financing Sources - Operating transfers in	89,779	-	-	171,342	261,121
Net Change in Fund Balances	8,663	16,112	-	-	24,775
Fund Balances - Beginning of year	13,091	61,294	475,000	-	549,385
Fund Balances - End of year	<u>\$ 21,754</u>	<u>\$ 77,406</u>	<u>\$ 475,000</u>	<u>\$ -</u>	<u>\$ 574,160</u>

City of Grosse Pointe, Michigan

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds Year Ended June 30, 2008

	Pension Trust	Postemployment Health Benefits	
	Fund	Trust Fund	Total
Assets			
Investments:			
Corporate bonds and notes	\$ 3,975,053	\$ 49,712	\$ 4,024,765
U.S. federal agencies	1,983,055	312,719	2,295,774
Common and preferred stock	18,858,227	366,556	19,224,783
Mutual funds	4,496,213	1,103,720	5,599,933
Interest receivable	146,422	2,601	149,023
Other receivable	291	2,711	3,002
Prepaid expenses	-	11,021	11,021
Total assets	29,459,261	1,849,040	31,308,301
Liabilities - Accounts payable	501,935	243,215	745,150
Net Assets			
Held in trust for pension benefits	28,957,326	-	28,957,326
Held in trust for postemployment health benefits	-	1,605,825	1,605,825
Total net assets	<u>\$ 28,957,326</u>	<u>\$ 1,605,825</u>	<u>\$ 30,563,151</u>

City of Grosse Pointe, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2008

	Pension Trust Fund	Postemployment Health Benefits Trust Fund	Total
Additions			
Investment income:			
Interest and dividends	\$ 1,097,073	\$ 63,120	\$ 1,160,193
Net appreciation (depreciation) in fair value of investments	(3,826,302)	17,962	(3,808,340)
Less investment expenses	<u>(92,197)</u>	<u>(2,706)</u>	<u>(94,903)</u>
Net investment income	(2,821,426)	78,376	(2,743,050)
Contributions:			
Employer	-	284,760	284,760
Employee	<u>187,283</u>	<u>-</u>	<u>187,283</u>
Total contributions	<u>187,283</u>	<u>284,760</u>	<u>472,043</u>
Total additions	(2,634,143)	363,136	(2,271,007)
Deductions			
Benefit payments	1,177,571	-	1,177,571
Annuity savings refund	136,999	-	136,999
Health insurance payments	<u>284,760</u>	<u>345,706</u>	<u>630,466</u>
Total deductions	<u>1,599,330</u>	<u>345,706</u>	<u>1,945,036</u>
Net Increase (Decrease)	(4,233,473)	17,430	(4,216,043)
Net Assets			
Beginning of year	<u>33,190,799</u>	<u>1,588,395</u>	<u>34,779,194</u>
End of year	<u><u>\$ 28,957,326</u></u>	<u><u>\$ 1,605,825</u></u>	<u><u>\$ 30,563,151</u></u>

City of Grosse Pointe, Michigan

Report to the City Council

June 30, 2008

To the City Council
City of Grosse Pointe, Michigan

We have recently completed our audit of the basic financial statements of City of Grosse Pointe, Michigan (the "City") for the year ended June 30, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, recommendations, and informational comments which impact the City:

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Report on Internal Control	I-2
Results of the Audit	3-4
Other Recommendations	5-6
Informational - Legislative matters, etc.	7-11

We are grateful for the opportunity to be of service to the City of Grosse Pointe, Michigan. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

Report on Internal Control

November 4, 2008

To the City Council
City of Grosse Pointe, Michigan

Dear Council Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the City's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the City of Grosse Pointe, Michigan as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

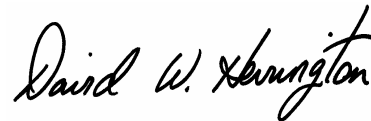
To the City Council
City of Grosse Pointe, Michigan

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "David W. Herrington". The signature is written in a cursive, flowing style.

David W. Herrington

A handwritten signature in black ink that reads "Pamela L. Hill". The signature is written in a cursive, flowing style.

Pamela L. Hill

Results of the Audit

November 4, 2008

To the City Council
City of Grosse Pointe, Michigan

We have audited the financial statements of the City of Grosse Pointe, Michigan for the year ended June 30, 2008 and have issued our report thereon dated November 4, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 12, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City of Grosse Pointe, Michigan. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 30, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Grosse Pointe, Michigan are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2007-2008.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance.

To the City Council
City of Grosse Pointe, Michigan

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated November 4, 2008.

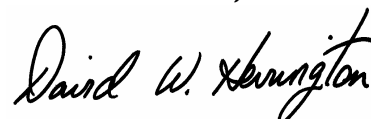
Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This information is intended solely for the use of the City Council and management of the City of Grosse Pointe and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



David W. Herrington



Pamela L. Hill

Other Recommendations

City of Grosse Pointe, Michigan

Other Recommendations

Status of Prior Year Recommendations

In last year's letter to the City Council, we noted several areas for improvement. We are pleased to inform you that the City has done an excellent job at implementing those suggestions during the current fiscal year. Those items include independent review of payroll registers and pay rates, monthly reconciliation of the pension statements from the bank to the general ledger, and recording the compensated absences related to enterprise fund employees in the appropriate funds. We commend the finance department for their proactive approach to ensuring the accuracy of the books and records of the City.

Manual Journal Entries

During the prior year's audit, we noted that there is not a review process in place over manual journal entries initiated by the finance director. All manual journal entries should be reviewed for propriety by another individual. We encourage the City, in order to increase its internal controls, to implement review procedures in this area.

Vendor Approval

During our review of the City's internal controls, we noted that the City does not have a formal process for adding new vendors in the system. In order to ensure that all vendors are approved, the City should have a formal process of documenting the approval of new vendors into the system.

Parking Meter Collections

We accompanied a City employee during the process of removing the cash from the parking meters and depositing the monies with the bank. We noted that cash collected from the parking meters is in a locked box unattended in the back of the truck when the employee is emptying other meters. At this point the truck remained unlocked. We recommend that all meter collectors secure the cash in the truck when the truck is left unattended.

Year-end Accruals

We noted that the City does not have a formal approval process for reviewing the finance department's year-end accruals. As this is a process that is only done once a year, simple errors can occur. In order to help mitigate mistakes, we recommend the City implement procedures in which an individual independent of preparation review all year-end accruals before posting them to the general ledger.

Federal Expenditures

The City is in the process of applying for \$770,000 of federal funds related to the SRF loan. Federal rules require a governmental unit to obtain a federal awards audit in any year in which federal expenditures of the City are greater than \$500,000. We encourage the City to closely monitor this activity during the current fiscal year.

Informational

City of Grosse Pointe, Michigan

Informational

FACT Act - Potential Impact on Municipal Utility Systems

The Fair and Accurate Credit Transactions Act was passed in 2003, with final regulations published at the end of 2007. The FACT Act will be effective May 1, 2009. These FTC rules, and more specifically the Red Flag Rules encompassed in them, may be applicable to municipal utility systems. The rules, put in place as a measure to protect against identity theft, indicate that a “creditor” with a “covered account” must implement a written identify theft prevention program to detect, prevent, and mitigate identity theft in connection with the opening of a covered account or any existing covered account.

Under the rules, a creditor is defined very broadly, encompassing any entity that defers payment for goods and services, as defined under the Red Flag Rules. This most likely includes municipalities that “defer payments” by their utility customers when water, sewer, electric, gas, trash, and the like are sold to customers day by day but paid for at the end of the billing cycle.

The act would require written policies and procedures to be put in place to identify and follow up on red flags. Red flags, just as an example, would be the presentation by the customer of suspicious personal information that is inconsistent with external sources or suspicious documents provided for identification that appear to be alerted. The regulations appear to be flexible so that each government would have the ability to design an identity theft program that is tailored to its particular operation, given its size, technology currently utilized, and the perceived risk of identity theft in its community.

We encourage you to follow up with legal counsel if you believe this act may apply to your governmental unit.

City of Grosse Pointe, Michigan

Property Tax Developments

The front page story several months ago is now old news. For many communities in Michigan, the challenging real estate market will negatively change the taxable value trends of recent years. Many communities saw modest declines in their 2008 taxable values, and if the downward trend in the housing market continues, the impact will be larger next year. How it will actually play out in each community and over what period of time remains to be seen. While each community will need to carefully determine the impact of the current environment on its budget, there are also several pieces of legislation in Lansing that will impact property taxes going forward. Examples include:

- House Bill 4215 (Public Act 96 of 2008) allows property owners to obtain two principal residence exemptions in certain situations. The bill was designed for situations where a homeowner has purchased a new home and is unable to sell the existing home. The dual exemption only applies if certain conditions are met (i.e., the property previously occupied is for sale, not occupied, not leased or available for lease, etc.).
- A series of bills were introduced in March 2007 as part of a package to stimulate home sales (House Bills 4440, 4441, and 4442). The lead bill of that package, House Bill 4440, establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years. House Bill 4440 actually passed the House in March 2007 and is currently in the Michigan Senate.
- Many property owners continue to struggle with the concept that their individual taxable values actually increased during a time that overall property values - and even their individual property values - have fallen. As we all have re-learned in recent months, that is a constitutional requirement that changed with Proposal A in 1994. It may be helpful to remember the principle behind Proposal A - its purpose was to disconnect taxable values from market value increases, and instead limit the growth in taxable values to the lesser of 5 percent or inflation, until that point that the property transfers ownership. Now that the market values are declining in many areas, Proposal A continues to stay disconnected, and allows the taxable value to increase by the lesser of 5 percent or inflation (up until the point that it re-connects with market values).

City of Grosse Pointe, Michigan

Fairly or not, this year, many property owners said it did not feel right when they saw their taxable value increase by inflation when market value did not. This has led to a discussion as to whether a third variable, called “change in market value,” needs to be added to the Proposal A formula. In what some are calling a “super cap,” the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would be the lesser of three components: inflation, change in market value, or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value - there would be no annual increase. To date, a proposal to accomplish this change has not moved through the Legislature. A change of this nature would impact local government budgets.

- As part of the changes to the single business tax last year and the introduction of the Michigan business tax, changes were also made to the calculation of tax rates applicable to industrial and commercial personal property taxes. As advertised, industrial personal property taxpayers received a reduction of the school operating mills (up to 18 mills) and the 6 mill state education tax. Commercial personal property taxpayers received a reduction of up to 12 school operating mills. However, if your community has a school district with “hold harmless” school mills, you must add back any hold harmless millage prior to computing the total mills to be levied. This may generate questions from commercial and industrial taxpayers.
- A Michigan Supreme Court case has changed how local governments can treat public service improvements by developers. Leading up to the court case, as private property owners or developers installed public service improvements (i.e., street lights, water and sewer lines, etc.) there was normally an increase in their property tax assessment. The Michigan Supreme Court upheld a Court of Appeals ruling that the installation of public service improvements does not constitute a taxable addition.

Recent Revisions to State Transportation Funding Program

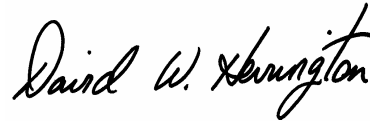
Current legislation modified Act 51 to allow local governments to transfer monies from their Major Streets Fund to their Local Streets Fund at a level of 50 percent of annual major street funding received. In addition, greater than 50 percent can be transferred. However, the amended law requires that certain conditions be met to allow for a transfer in excess of 50 percent, including the adoption of an asset management process for the major and local streets systems as well as a detailed resolution passed by the City. It is important to note that major street monies transferred for use on local streets cannot be used for construction but may be used for preservation. Current legislation also includes a pilot program that would allow for the combination of the Major Streets Fund and the Local Streets Fund if certain conditions are met.

City of Grosse Pointe, Michigan

We would like to thank the Council for the opportunity to serve as auditors for the City. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "David W. Herrington". The script is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

David W. Herrington

A handwritten signature in black ink that reads "Pamela L. Hill". The script is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Pamela L. Hill